

Message Text

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ACTION NEA-11

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FM AMEMBASSY ISLAMABAD
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C O N F I D E N T I A L ISLAMABAD 4930

E.O. 11652: GDS
TAGS: ENRG, PK
SUBJECT: SADIQ OUT AS HEAD OF OGDC?

1. SHEHZAD SADIQ, SECRETARY OF PETROLMAM AND NATURAL RESOURCES AND CHAIRMAN OF OGDC, SEEMS TO BE LOSING THE LATTER PORTFOLIO. HE WILL PROBABLY BE REPLACED BY A MILITARY OFFICER. THE REASONS FOR HIS DEMISE ARE COMPLEX AND WE'RE NOT SURE WE FULLY UNDERSTAND THEM. HOWEVER, IT IS CLEAR THAT SADIQ FELT THAT US COMPANIER AND TECHNOLOGY WERE SUPERIOR AND OPENLY ENCOURAGED THEIR PARTICIPATION IN PAKISTAN'S OIL DEVELOPMENT UNDER WHAT HE ADMITS ARE FAVORABLE TERMS, ALTHOUGH HE FEELS SUCH TERMS WERE NECESSARY TO GET THEM TO COME. THIS PUT HIM INTO CONFLICT WITH ATTOCK OIL COMPANY (AOC) WHICH OWNS 60 PERCENT OF PAKISTAN OILFIELD LTD., (POL). POL FORMERLY HAD VIRTUALLY FREE REIN IN THE POTWAR AREA, THE BEST PROVED OIL-BEARING REGION SO FAR IN PAKISTAN. BUT SADIQ FEELS THAT POL WAS DRAGGING ITS FEET ON DEVELOPMENT WAITING FOR OIL PRICES TO RISE AND FOR AN INCREASE IN LOCAL REFINING CAPACITY.

2. OTHER CONTRIBUTING FACTORS TO SADIQ'S FALL APPEAR TO BE HIS AGGRESSIVE STYLE AND THE HIRING OF HIS
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FORMER PROFESSOR FROM THE UNIVERSITY OF OKLAHOMA, DR. ROGER SCHEPPEL, AS A \$150 PER DAY ADVISER (FOR NINE MONTHS). SCHEPPEL HAS RECENTLY LEFT PAKISTAN. A SCURRILOUS SERIES OF ARTICLES, PERHAPS INSPIRED BY ATTOCK, ABOUT SADIQ HAS APPEARED IN AN URDU PERIODICAL. THE ARTICLES ALLEGE CORRUPTION AND WASTE OF MONEY BY OGDC. SADIQ IS SUING ON BEHALF OF OGDC AND HIMSELF.

3. SAIQ ALSO FEELS THAT THE CONFLICT BETWEEN HIM AND AOC'S SUPPORTERS IS THE REASON FOR THE DELAY IN THE SIGNING OF THE GULF AGREEMENT. HE CLAIMS THAT HIS ENEMIES HAVE PERSUADED THE WORLD BANK TO HOLD UP THE SIGNING ON THE GROUNDS THAT THE TERMS WERE TOO FAVORABLE TO GULF. THE ACTING REPRESENTATIVE FROM THE WORLD BANK TELLS US THAT THE GULF LAWYERS DID INCLUDE TERMS IN THE PROPOSED AGREEMENT THAT WERE TOO FAVORABLE TO GULF AND THAT THE BANK HAS SUGGESTED SOME MODIFICATIONS. HE INDICATED, HOWEVER, THAT THESE WERE NOT SERIOUS AND THE BANK IS STILL INTERESTED. HUMMEL

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